

Statement of Samuel Podberesky
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U.S. Department of Transportation
before the
Subcommittee on Aviation
House Committee on Transportation & Infrastructure

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Mr. Chairman and members of the Subcommittee on Aviation, my name is Samuel Podberesky and I am the Assistant General Counsel for Aviation Enforcement and Proceedings of the U.S. Department of Transportation. I am pleased to be able to appear before you to comment on airline mishandled baggage.

Some background on the functions of my office may be useful to the subcommittee in understanding our involvement with baggage issues. Our first priority is to enforce DOT's aviation requirements with the exception of those dealing with safety and operational issues that are under the purview of the Federal Aviation Administration. Among the areas that my office monitors is airline compliance with civil rights, consumer protection, and economic licensing requirements. The office also includes the Department's Aviation Consumer Protection Division and the principal function of that division is to process complaints received from the public about airline service. It also publishes information to assist air passengers including a fact sheet on baggage containing tips, a brochure titled "Fly-Rights" with a chapter on baggage advice, and a monthly Air Travel Consumer Report that contains useful information for consumers on flight delays, complaints (including complaints to DOT about baggage service), mishandled-baggage reports filed with airlines by passengers, and oversales. Pursuant to 49 U.S.C. §329(e), the report also includes data provided by the Transportation Security Administration regarding

aviation-related complaints that agency receives concerning personal property and claims it receives regarding lost or damaged baggage.

With respect to baggage issues, there are two Department rules that specifically address airline mishandled baggage: 14 CFR Part 234, which requires reporting of mishandled baggage by each large carrier; and 14 CFR Part 254, which sets minimum liability limits for lost, stolen, damaged or delayed baggage in domestic service.

Under the first of these rules, Part 234, each U.S. air carrier that accounts for at least one percent of total domestic scheduled-service revenues is required to report to DOT monthly on the number of its domestic enplanements and the number of mishandled baggage reports that have been filed with the carrier by its passengers. The Department also receives complaints about baggage problems directly from consumers. These communications could complain about mishandled bags or about the way carriers are responding to baggage-related monetary claims. As mentioned earlier, both types of information — reports from carriers to DOT on the number of mishandled bags and complaints from consumers to DOT about baggage problems — are summarized in our office's monthly Air Travel Consumer Report. Consumers can use this information to help make their travel purchase decisions.

Under the other rule that I mentioned, Part 254, the Department sets a floor on the liability limit that carriers may assert for lost, stolen, damaged or delayed baggage, so that the airlines' limits will not be unreasonably low. The current "minimum limit" is \$2,800 per passenger. Part 254 also requires that the Department review the amount of the domestic liability limit every two

years and make adjustments to the amount to reflect inflation, if necessary, according to a formula set out in the rule. The next possible increase is scheduled for September of this year and is likely to be in the amount of \$100, which would bring the new minimum limit to \$2,900 per passenger. Maintaining a reasonable liability limit in this fashion is an incentive for air carriers to minimize the incidence of baggage mishandling.

It should be noted that the minimum liability limit in Part 254 applies only to domestic travel. For international travel, passenger baggage liability limits are generally governed by Article 22.2 of the 1999 Montreal Convention. This treaty limits international baggage liability to 1000 Special Drawing Rights per passenger. The value of the Special Drawing Right, or SDR, floats; 1,000 SDR's currently equals about \$1,460.

In the case of both domestic and international travel it is important to note that passengers can generally purchase excess valuation coverage from the airline, which will raise the carrier's liability limit. Some passengers also have supplemental baggage coverage through their homeowner's insurance, travel insurance, or the credit card that they used to purchase their airline ticket.

I would next like to briefly discuss the baggage data we have gleaned from our Air Travel Consumer Report which may show possible trends in how carriers are handling baggage. Table 1, which is attached, examines yearly data since 2000, which was the last full year before September 11, 2001. After the events of September 11, traffic levels declined and so did the number of mishandled-baggage reports filed by passengers with airlines. The calendar-year rate

of these reports by passengers declined from 5.29 reports per 1,000 passengers in 2000 to 4.55 such reports per 1,000 passengers in 2001. In 2002 — the first full year after September 11 — this rate declined again to 3.84 passenger reports per 1,000 passengers. Since 2002, with the recovery in air traffic, the number and rate of mishandled-baggage reports filed by passengers has risen. The rate of such reports per 1,000 passengers increased from 3.84 per 1,000 passengers in 2002 to 6.04 per 1,000 passengers in 2005. However, as is also shown in Table 1, even this recent rate of 6.04 reports per 1,000 passengers is 31% lower than the comparable figure for 1988, the first full year that these data were collected.

Table 2, which is also attached, is a tabulation of mishandled-baggage reports filed by passengers with carriers for the most recent quarter — the first quarter of 2006. Comparative data for the first quarter of 2005 and the first quarter of 2004 are also presented. This table shows that there were 42,000 fewer passenger reports of mishandled bags in the most recent quarter than a year earlier, and the rate of such reports per 1,000 passengers declined from 6.72 per 1,000 passengers in the first quarter of 2005 to 6.24 per 1,000 passengers in the first quarter of 2006. The data for the individual months in the first quarter of 2006 show that the rate of passenger reports per 1,000 passengers has declined steadily throughout the quarter — from 6.92 in January to 6.08 in February to 5.81 in the most recent available month, March 2006.

As noted in Table 1, the number of air carriers required to file mishandled-baggage data with the Department has varied over the period covered by that Table. For example, ten carriers reported these data in 2000, but by 2005 nineteen airlines did so. We compared the data for 2000 — the last full year before 9/11 — to the most recent year, 2005, for the nine carriers that appeared in

both reports. The results appear in Table 3. While the rate of mishandled-baggage reports per 1,000 passengers for all reporting carriers increased from 5.29 to 6.04 reports per 1,000 passengers between 2000 and 2005 as shown in Table 1, the corresponding increase for the nine airlines that appeared in both reports was only from 5.25 to 5.54 as shown in Table 3. And, as I will discuss later, the performance of one carrier alone could be viewed as having caused the latter increase.

Some of the same trends are also observable in the complaints received by the Department directly from consumers (letters, e-mails and phone calls). As shown in Table 1, the absolute number of consumer complaints to DOT about baggage problems and the rate of such complaints per 1 million passengers declined in every year from 2000 through 2003. Since 2004 the number and rate of these complaints has begun to increase, but even the most recent figures are lower than the number and rate of baggage complaints for 2000, and are much lower than for 1988, which, as I mentioned earlier, was the year that the Department began requiring carriers to file mishandled-baggage reports.

There may be a relationship between on-time performance and the rate of mishandled-baggage reports per 1,000 passengers. As shown in Table 4, systemwide on-time performance for the carriers that report this information improved nearly five percentage points from 2000 to 2001 and nearly another five points from 2001 to 2002. This may have been partially due to the falloff in traffic immediately following 9/11. During that same period, 2000 to 2002, the rate of mishandled-baggage reports per 1,000 passengers declined 27%, from 5.29 to 3.84. Between 2003 and 2005 passenger volume began to recover and 660,000 annual departures were added to

carrier schedules. During the 2003-2005 period, on-time performance declined from 82.0% to 77.4% and the rate of mishandled-baggage reports per 1,000 passengers rose from 4.19 to 6.04.

In addition to the increase in the number of passengers reflected in the enplanement figures in Table 1, recent increases in mishandled-baggage reports and consumer complaints about baggage may result in part from the particular difficulties experienced by US Airways and Comair during the December holiday period of 2004. Complaints stemming from events in this period would affect data from both late 2004 and early 2005. In December 2004, for example, 42 percent of all baggage-related consumer complaints received by the Department had to do with US Airways. The number of mishandled-baggage reports filed by passengers with US Airways increased from 18,580 in November 2004 to 53,017 in December 2004 and was still at 41,643 in January 2005. One-time anomalies are not likely to be repeated on a regular basis. However, US Airways' baggage handling problems continued well into 2005 and may have reflected labor issues. In this regard, it should be noted that if US Airways is removed from Table 3, the change in the rate of mishandled baggage between 2000 and 2005 for the group of carriers that reported in both those years goes from a slight increase to a slight decrease. Put more simply, as a group American, Delta, United, Southwest, Northwest, Continental, America West and Alaska Airlines had fewer domestic mishandled-baggage reports in 2005 than they did in 2000.

We would also observe that there is significant variation among carriers' baggage data based on the nature of their operations. Table 5 shows this clearly. For example, in 2005 the rate for Hawaiian Airlines, with the best record among the reporting carriers, was 2.9 passenger reports per 1,000 passengers, while the rate for Atlantic Southeast Airlines, with the worst record in the

group, was 17.4. Carriers like Hawaiian with limited interlining, few or no commuter-carrier affiliates, and smaller route systems generally have lower mishandled-baggage rates. Larger carriers with extensive hub-and-spoke networks and numerous connections — and the regional partners of such carriers — tend to have higher rates of baggage problems, since many baggage delays and losses appear to occur during connections.

In conclusion, although there can be variations over time and among carriers in baggage-handling performance, the data available to us do not appear to point to a systemic problem at this time.

I would be happy to take your questions.

Table 1

***DOT Data on Mishandled Baggage
1988, and 2000 through 2005****

Mishandled-baggage reports filed by passengers with airlines¹				Consumer complaints to DOT about baggage³			
(Large U.S. carriers)²							
Year	Number of reporting carriers	Reports by passengers	Reports per 1,000 passengers	Baggage complaints (All carriers)	Baggage complaints as % of all complaints (All carriers)	Enplanements (All U.S. carriers)	Baggage complaints per million enplanements (All carriers) ⁴
1988	13	2,981,893	8.80	4,487	18.8%	463,124,000	9.7
2000	10	2,738,463	5.29	3,468	14.8%	674,251,000	5.1
2001	11	2,221,303	4.55	2,490	15.1%	629,278,000	4.0
2002	10	1,808,977	3.84	1,421	15.0%	621,729,000	2.3
2003	17	2,198,934	4.19	1,078	18.0%	656,901,000	1.6
2004	19	2,822,206	4.91	1,428	19.1%	714,134,000	2.0
2005	19	3,562,132	6.04	2,035	23.3%	747,337,000	2.7

* 1988 was the first full calendar year for which the mishandled-baggage reports were filed by carriers.

2000 was the last calendar year before September 11, 2001, after which traffic levels and mishandled-baggage rates declined.

2005 is the latest calendar year.

¹ Authority: 14 CFR 234.6. Data source: DOT's monthly Air Travel Consumer Report.

² As used here, "Large U.S. carriers" are U.S. carriers that are required to report data for DOT's monthly Air Travel Consumer Report. These are U.S. carriers that account for at least 1% of total domestic scheduled-service passenger revenues. The number of such carriers for a given year in this table is shown in the second column.

³ Data source: C-75 consumer complaint database, as published in DOT's monthly Air Travel Consumer Report

⁴ The data in this column reflect a slightly high approximation of the actual figures since the enplanement data used to calculate the rates presented do not include enplanement data for foreign carriers and very small U.S. carriers whereas the complaint totals used are for all carriers.

Table 2

Mishandled-baggage reports filed by passengers with airlines⁵
(Large U.S. carriers)⁶: First quarter 2004/2005/2006

QUARTER	TOTAL BAGGAGE REPORTS	ENPLANED PASSENGERS	REPORTS PER 1,000 PASSENGERS
First quarter 2006	890,625	142,663,697	6.24
First quarter 2005	932,648	138,695,969	6.72
First quarter 2004	648,348	131,824,018	4.92

Mishandled-baggage reports filed by passengers with airlines
(Large U.S. carriers): Jan/Feb./March 2006

QUARTER	TOTAL BAGGAGE REPORTS	ENPLANED PASSENGERS	REPORTS PER 1,000 PASSENGERS
January 2006	313,992	45,399,554	6.92
February 2006	265,610	43,696,822	6.08
March 2006	311,023	53,567,321	5.81

⁵ Authority: 14 CFR 234.6. Data source: DOT's monthly Air Travel Consumer Report.

⁶ As used here, "Large U.S. carriers" are U.S. carriers that are required to report data for DOT's monthly Air Travel Consumer Report. These are U.S. carriers that account for at least 1% of total domestic scheduled-service passenger revenues. The number of such carriers for a given year in this table is shown in the second column.

Table 3

**Mishandled-Baggage Reports Filed With Carriers By Passengers
“Same Carriers” Comparison, 2000 vs. 2005**

JANUARY TO DECEMBER 2000			
AIRLINE (Rank order)	TOTAL BAGGAGE REPORTS	ENPLANED PASSENGERS	REPORTS PER 1,000 PASSENGERS
ALASKA AIRLINES	41,331	11,875,197	3.48
DELTA AIR LINES	454,730	101,207,498	4.49
US AIRWAYS	273,327	57,477,496	4.76
SOUTHWEST AIRLINES	362,666	72,568,342	5.00
NORTHWEST AIRLINES	254,767	48,573,356	5.24
CONTINENTAL AIRLINES	196,332	36,695,355	5.35
AMERICAN AIRLINES	382,986	69,678,100	5.50
UNITED AIRLINES	489,138	74,450,897	6.57
AMERICA WEST AIRLINES	128,783	19,456,960	6.62
TOTALS	2,584,060	491,983,201	5.25

JANUARY - DECEMBER 2005			
AIRLINE (Rank order)	TOTAL BAGGAGE REPORTS	ENPLANED PASSENGERS	REPORTS PER 1,000 PASSENGERS
CONTINENTAL AIRLINES	143,513	34,823,740	4.12
SOUTHWEST AIRLINES	383,240	90,241,630	4.25
UNITED AIRLINES	248,803	58,187,505	4.28
AMERICA WEST AIRLINES	93,499	21,586,600	4.33
NORTHWEST AIRLINES	232,929	47,957,408	4.86
ALASKA AIRLINES	76,705	15,237,761	5.03
AMERICAN AIRLINES	476,575	80,532,985	5.92
DELTA AIR LINES	573,419	80,907,360	7.09
US AIRWAYS	358,782	37,311,721	9.62
TOTALS	2,587,465	466,786,710	5.54

Source: DOT's monthly Air Travel Consumer Report

Table 4

On-Time Performance vs. Mishandled-Baggage rate

Year	On-Time Performance	Mishandled- Baggage Reports per 1,000 Passengers
2000	72.6%	5.29
2001	77.4%	4.55
2002	82.1%	3.84
2003	82.0%	4.19
2004	78.1%	4.91
2005	77.4%	6.04

Source: DOT's monthly Air Travel Consumer Report

Table 5

JANUARY—DECEMBER 2005
MISHANDLED BAGGAGE REPORTS FILED BY PASSENGERS
U.S. AIRLINES

JANUARY - DECEMBER 2005				
RANK	AIRLINE	TOTAL BAGGAGE REPORTS	ENPLANED PASSENGERS	REPORTS PER 1,000 PASSENGERS
1	HAWAIIAN AIRLINES	17,508	5,928,173	2.95
2	AIRTRAN AIRWAYS	58,706	17,012,455	3.45
3	INDEPENDENCE AIR	19,380	5,476,518	3.54
4	JETBLUE AIRWAYS	60,426	14,873,839	4.06
5	ATA AIRLINES	21,487	5,279,135	4.07
6	CONTINENTAL AIRLINES	143,513	34,823,740	4.12
7	SOUTHWEST AIRLINES	383,240	90,241,630	4.25
8	UNITED AIRLINES	248,803	58,187,505	4.28
9	AMERICA WEST AIRLINES	93,499	21,586,600	4.33
10	NORTHWEST AIRLINES	232,929	47,957,408	4.86
11	ALASKA AIRLINES	76,705	15,237,761	5.03
12	AMERICAN AIRLINES	476,575	80,532,985	5.92
13	EXPRESSJET AIRLINES	96,834	14,683,265	6.59
14	DELTA AIR LINES	573,419	80,907,360	7.09
15	US AIRWAYS	358,782	37,311,721	9.62
16	SKYWEST AIRLINES	169,974	16,889,452	10.06
17	AMERICAN EAGLE AIRLINES	180,065	17,568,517	10.25
18	COMAIR	141,919	13,206,051	10.75
19	ATLANTIC SOUTHEAST AIRLINES	208,368	11,970,537	17.41
	TOTALS	3,562,132	589,674,652	6.04

For simplicity, statistics are displayed to two decimal places. Actual ranking order is based on our computer carrying out the number of decimal places to nine.

TOTAL BAGGAGE REPORTS—For the domestic system only. These are passenger reports of mishandled baggage, including those that did not subsequently result in claims for compensation.
ENPLANED PASSENGERS—For the domestic system only.

Source: Air Travel Consumer Report, February 2006